

**Jackson Independent School District  
Jackson, Kentucky**

**Audited Financial Statements  
and Other Financial Information**

**June 30, 2004**

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**JUNE 30, 2004**

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**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**JUNE 30, 2004**

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Jackson Independent School District  
Jackson, Kentucky

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson Independent School District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004 on our consideration of Jackson Independent School District's internal control over financial reporting and a report dated October 28, 2004, on our tests of its compliance with certain provisions of law, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules on pages 38 through 42 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 43 is presented for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental information and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2004

**JACKSON INDEPENDENT SCHOOL DISTRICT – JACKSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2004**

As management of the **Jackson Independent** School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

The beginning General Fund cash balance for the District was \$236,700.15.

The district remains committed to increasing certified and classified salaries. A \$1,080 raise was given to all certified staff and a 2% increase was given to all classified in FY 2003/2004.

The General Fund had \$4,622,886.20 million in revenue, which primarily consisted of the state programs (SEEK, TIER I, TRANSPORTATION, which reflects an adjustment of \$55,968.00 in FY 2003-2004 due to non-funding of 78 non-resident student contracts), property, local and public service taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$3.30 million in General Fund expenditures.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**JACKSON INDEPENDENT SCHOOL DISTRICT – JACKSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2004**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9 - 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 38 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$948 thousand as of June 30, 2004.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**JACKSON INDEPENDENT SCHOOL DISTRICT – JACKSON, KENTUCKY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2004**

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Assets for the period ending June 30, 2004**

The current year’s financial statements are dramatically different from past years as a result of implementing GASB 34 Fixed Assets Reporting Module. Attempting to compare this year’s data with last year would be misleading to the reader however the district looks forward to offering comparative data in the future.

Current Assets	\$ 322,389
Noncurrent Assets	<u>3,012,137</u>
<b>Total Assets</b>	<b>\$ 3,334,526</b>
Current Liabilities	\$ 333,564
Noncurrent Liabilities	<u>2,052,695</u>
<b>Total Liabilities</b>	<b>\$ 2,386,259</b>
<b>Net Assets</b>	
Investment in capital assets (net of debt)	\$ 828,549
Restricted	70,658
Unreserved Fund Balance	<u>49,060</u>
<b>Total Net Assets</b>	<b>\$ 948,267</b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets....

The district implemented GASB 34 and recorded fixed assets and debt for the first time.

**Comments on Budget Comparisons**

The District’s total revenues for the fiscal year ended June 30, 2004, were \$4.04 million. General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$469 thousand more than budget.

General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being 361 thousand more than budget, with an excess of revenues of \$107 thousand.

**JACKSON INDEPENDENT SCHOOL DISTRICT – JACKSON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2004**

The following table presents a summary of revenue and expense for governmental funds the fiscal year ended June 30, 2004.

	<u>Amount</u>
<b>Revenues:</b>	
Local revenue sources	\$ 311,955
State revenue sources	3,452,310
Federal Revenues	<u>280,554</u>
Total revenues	\$ 4,044,819
<b>Expenses:</b>	
Instruction	\$ 2,642,063
Student Support Services	90,804
Instructional Support	79,012
District Administration	347,023
School Administration	186,443
Business Support	77
Plant Operations	367,578
Student Transportation	111,736
Central Office Support	0
Non-Instructional	54,413
Facilities Acquisition and Const.	23,642
Debt Service	216,302
Other	<u>14,790</u>
Total expenses	\$ 4,134,883
<b>Expense in Excess of Revenue</b>	(\$ 90,064)

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. Significant Board action that impacted the finances included a \$1,080 raise for certified staff and a 2% increase for classified staff.

Questions regarding this report should be directed to Sandra D. Manns, Finance Officer (606) 666-4979 or by mail at the Jackson Independent Board of Education, 940 Highland Avenue, Jackson, Kentucky 41339.

**JACKSON INDEPENDENT BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Current Assets			
Cash and cash equivalents	\$ 142,086	\$ 13,415	\$ 155,501
Accounts Receivable		32,296	32,296
Taxes	24,539		24,539
Accounts	747		747
Intergovernmental - State	4,182		4,182
Intergovernmental - Federal	91,333		91,333
Prepaid Expenses	0		0
Inventory	0	13,791	13,791
Total Current Assets	262,887	59,502	322,389
Noncurrent Assets			
Net capital assets	2,989,233	22,904	3,012,137
Total Noncurrent Assets	2,989,233	22,904	3,012,137
<b>TOTAL ASSETS</b>	<b>\$ 3,252,120</b>	<b>\$ 82,406</b>	<b>\$ 3,334,526</b>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts Payable	93,545	12,117	105,662
Bank Overdraft	54,276		54,276
Current portion of bond obligations	74,214		74,214
Current portion of lease obligations	66,193		66,193
Deferred Revenue	33,219		33,219
Total Current Liabilities	321,447	12,117	333,564
Noncurrent Liabilities			
Noncurrent portion of bond obligations	1,818,758		1,818,758
Noncurrent portion of lease obligations	224,423		224,423
Noncurrent portion of accrued sick leave	9,514		9,514
Total Noncurrent Liabilities	2,052,695	0	2,052,695
<b>TOTAL LIABILITIES</b>	<b>2,374,142</b>	<b>12,117</b>	<b>2,386,259</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	805,645	22,904	828,549
Restricted for:			
Capital projects	23,273	0	23,273
Debt service	0	0	0
Other purposes	0	47,385	47,385
Unrestricted	49,060	0	49,060
<b>TOTAL NET ASSETS</b>	<b>877,978</b>	<b>70,289</b>	<b>948,267</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,252,120</b>	<b>\$ 82,406</b>	<b>\$ 3,334,526</b>

**JACKSON INDEPENDENT BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 2,637,583	\$ 0	\$ 1,160,706	\$ 190,345	\$ (1,286,532)	\$ 0	\$ (1,286,532)
Support Services:							
Student	85,120			0	(85,120)	0	(85,120)
Instructional staff	79,012			0	(79,012)	0	(79,012)
District Administration	337,528			0	(337,528)	0	(337,528)
School Administration	186,443			0	(186,443)	0	(186,443)
Business	77			0	(77)	0	(77)
Plant operations and maintainance	336,436			0	(336,436)	0	(336,436)
Student transportation	111,736			0	(111,736)	0	(111,736)
Central office	0			0	0	0	0
Non-Instructional	69,203			0	(69,203)	0	(69,203)
Facilities acquisition and construction	23,642			0	(23,642)	0	(23,642)
Interest on long-term debt	152,891			0	(152,891)	0	(152,891)
Depreciation	173,618		0	0	(173,618)	0	(173,618)
Total Governmental Activities	4,193,289	0	1,160,706	190,345	(2,842,238)	0	(2,842,238)
Business-type Activities:							
Lunchroom Sales	263,811	41,318	234,150	0	0	11,657	11,657
Total Primary Government	\$ 4,457,100	\$ 41,318	\$ 1,394,856	\$ 190,345	\$ (2,842,238)	\$ 11,657	\$ (2,830,581)
General Revenues:							
Taxes:							
Property					\$ 126,083	\$ 0	\$ 126,083
Motor Vehicle					28,619	0	28,619
Utilities					102,027	0	102,027
Distilled Spirits					0	0	0
Other Taxes					0	0	0
State and formula grants					2,384,641	0	2,384,641
Interest and Investment Earnings					3,044	299	3,343
Gain(loss) on sale of fixed assets					0	0	0
Miscellaneous					43,844	0	43,844
Transfers					15,094	(15,094)	0
Total General Revenues					\$ 2,703,352	\$ (14,795)	\$ 2,688,557
Change in Net Assets					(138,886)	(3,138)	(142,024)
Net Assets July 1, 2003					1,016,864	73,427	1,090,291
Net Assets June 30, 2004					\$ 877,978	\$ 70,289	\$ 948,267

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 118,813	\$ 0	\$ 23,273	\$ 142,086
Accounts Receivable				
Taxes	11,096	0	0	11,096
Accounts	747	0	0	747
Intergovernmental - State	2,000	2,182	0	4,182
Intergovernmental - Federal	6,020	85,313	0	91,333
Other Assets	0	0	0	0
Due from other funds	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$ 138,676</b>	<b>\$ 87,495</b>	<b>\$ 23,273</b>	<b>\$ 249,444</b>
<b>LIABILITIES:</b>				
Accounts Payable	15,313	0	0	15,313
Bank Overdraft	0	54,276	0	54,276
Accrued Sick Leave	0	0	0	0
Deferred Revenue	0	33,219	0	33,219
<b>TOTAL LIABILITIES</b>	<b>15,313</b>	<b>87,495</b>	<b>0</b>	<b>102,808</b>
<b>FUND BALANCES:</b>				
Reserved for Other Purposes		0	23,273	23,273
Unreserved	123,363	0	0	123,363
<b>TOTAL FUND BALANCES</b>	<b>123,363</b>	<b>0</b>	<b>23,273</b>	<b>146,636</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 138,676</b>	<b>\$ 87,495</b>	<b>\$ 23,273</b>	<b>\$ 249,444</b>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Total Governmental Fund Balances	\$ 146,636
Amounts reported for governmental activities in the statement of net assets are different because:	
Accounts receivable from imposed nonexchange revenue transactions are not reported in the fund financial statements because they are not current available financial resources, but they are reported in the statement of net assets.	13,443
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	2,989,233
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net assets.	<u>(2,271,334)</u>
Net Assets of Governmental Activities	\$ <u>877,978</u>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 88,326	\$ 0	\$ 19,803	\$ 108,129
Motor Vehicle	28,619	0	0	28,619
Utilities	102,027	0	0	102,027
Distilled Spirits	0	0	0	0
Other	4,511	0	0	4,511
Tuition and fees	0	0	0	0
Earnings on investments	3,044	0	0	3,044
Student activities	0	0	0	0
Rental	0	0	0	0
Other local revenues	65,625	0	0	65,625
Intergovernmental - State	2,886,697	356,315	209,298	3,452,310
Intergovernmental - Indirect federal	0	280,554	0	280,554
TOTAL REVENUES	<u>3,178,849</u>	<u>636,869</u>	<u>229,101</u>	<u>4,044,819</u>
EXPENDITURES:				
Current:				
Instruction:	2,101,497	541,566	0	2,643,063
Support Services:				
Student	71,013	19,791	0	90,804
Instructional staff	66,056	12,956	0	79,012
District Administration	347,023	0	0	347,023
School Administration	186,443	0	0	186,443
Business	77	0	0	77
Plant operations and maintainance	367,578	0	0	367,578
Student transportation	98,399	13,337	0	111,736
Central office	0	0	0	0
Non-Instructional	0	54,413	0	54,413
Facilities acquisition and construction	23,642	0	0	23,642
Debt Service	25,568	0	190,734	216,302
Other	14,790	0	0	14,790
TOTAL EXPENDITURES	<u>3,302,086</u>	<u>642,063</u>	<u>190,734</u>	<u>4,134,883</u>
Excess (Deficit) of Revenues over Expenditures	<u>(123,237)</u>	<u>(5,194)</u>	<u>38,367</u>	<u>(90,064)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets/Bonds	0	0	0	0
Operating transfers in	15,094	5,194	254,242	274,530
Operating transfers out	(5,194)	0	(269,336)	(274,530)
TOTAL OTHER FINANCING SOURCES (USES):	<u>9,900</u>	<u>5,194</u>	<u>(15,094)</u>	<u>0</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(113,337)</u>	<u>0</u>	<u>23,273</u>	<u>(90,064)</u>
Fund balance June 30, 2003	236,700	0	0	236,700
Prior period adjustment	0	0	0	0
Fund balance June 30, 2003, restated	<u>\$ 236,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 236,700</u>
Fund balance June 30, 2004	<u>\$ 123,363</u>	<u>\$ 0</u>	<u>\$ 23,273</u>	<u>\$ 146,636</u>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds	\$ (90,064)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues from imposed nonexchange revenue transactions are not reported in the fund financial statements because they are not available, but they are reported in the statement of net assets.	13,443
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(87,746)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	(112,304)
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net assets.	<u>137,785</u>
Change in Net Assets of Governmental Activities	\$ <u>(138,886)</u>

**JACKSON INDEPENDENT BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND				SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:								
From local sources:								
Taxes:								
Property	\$ 116,218	\$ 116,218	\$ 88,326	\$ (27,892)	\$ 0	\$ 0	\$ 0	\$ 0
Motor Vehicle	20,000	20,000	28,619	8,619	0	0	0	0
Utilities	70,000	70,000	102,027	32,027	0	0	0	0
Distilled Spirits	0	0	0	0	0	0	0	0
Other	4,000	4,000	4,511	511	0	0	0	0
Tuition and fees	0	0	0	0	0	0	0	0
Earnings on investments	5,000	5,000	3,044	(1,956)	0	0	0	0
Student activities	0	0	0	0	0	0	0	0
Community Service Activities	0	0	0	0	0	0	0	0
Other local revenues	47,400	47,700	65,625	17,925	0	0	0	0
Intergovernmental - State	2,447,144	2,446,844	2,886,697	439,853	275,978	288,176	356,315	68,139
Intergovernmental - Indirect federal	0	0	0	0	370,649	370,734	280,554	(90,180)
TOTAL REVENUES	2,709,762	2,709,762	3,178,849	469,087	646,627	658,910	636,869	(22,041)
EXPENDITURES:								
Current:								
Instruction:	1,438,401	1,438,401	2,101,497	(663,096)	526,803	541,393	541,566	(173)
Support Services:								
Student	86,970	86,970	71,013	15,957	24,522	24,522	19,791	4,731
Instructional staff	87,145	87,145	66,056	21,089	14,633	15,561	12,956	2,605
District administration	771,579	771,579	347,023	424,556	0	0	0	0
School administration	174,401	174,401	186,443	(12,042)	0	0	0	0
Business	4,550	4,550	77	4,473	24,557	24,557	0	24,557
Plant operations and maintainance	263,609	263,609	367,578	(103,969)	0	0	0	0
Student transportation	83,088	83,088	98,399	(15,311)	0	0	13,337	(13,337)
Central office	0	0	0	0	0	0	0	0
Non-Instructional	0	0	0	0	56,070	54,413	54,413	0
Facilities acquisition and construction	0	0	23,642	(23,642)	0	0	0	0
Debt Service	31,182	31,182	25,568	5,614	0	0	0	0
Other	0	0	14,790	(14,790)	0	0	0	0
TOTAL EXPENDITURES	2,940,925	2,940,925	3,302,086	(361,161)	646,585	660,446	642,063	18,383
Excess (Deficit) of Revenues over Expenditures	(231,163)	(231,163)	(123,237)	107,926	42	(1,536)	(5,194)	(3,658)
OTHER FINANCING SOURCES (USES):								
Proceeds from sale of Assets/Bonds	0	0	0	0	0	0	0	0
Operating transfers in	16,000	16,000	15,094	(906)	30	1,536	5,194	3,658
Operating transfers out	(21,537)	(21,537)	(5,194)	16,343	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES):	(5,537)	(5,537)	9,900	15,437	30	1,536	5,194	3,658
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(236,700)	(236,700)	(113,337)	123,363	72	0	0	0
Fund balance June 30, 2002	236,700	236,700	236,700	0	0	0	0	0
Prior period adjustment	0	0	0	0	0	0	0	0
Fund balance June 30, 2002, restated	\$ 236,700	\$ 236,700	\$ 236,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance June 30, 2003	\$ 0	\$ 0	\$ 123,363	\$ 123,363	\$ 72	\$ 0	\$ 0	\$ 0

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004**

	<u>ENTERPRISE FUND</u>
<b>ASSETS:</b>	
Current Assets	
Cash and cash equivalents	\$ 13,415
Accounts Receivable	32,296
Inventory	<u>13,791</u>
Total Current Assets	59,502
Noncurrent Assets	
Machinery & Equipment	71,626
Accumulated Depreciation	<u>(48,722)</u>
Total Noncurrent Assets	22,904
<b>TOTAL ASSETS</b>	<b>\$ <u>82,406</u></b>
<b>LIABILITIES:</b>	
Current Liabilities	
Accounts Payable	\$ <u>12,117</u>
Noncurrent Liabilities	<u>0</u>
<b>TOTAL LIABILITIES</b>	<b><u>12,117</u></b>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of Related Debt	22,904
Restricted for Other Purposes	47,385
Unrestricted	<u>0</u>
<b>TOTAL NET ASSETS</b>	<b><u>70,289</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>82,406</u></b>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 41,318
Federal grants	216,637
Federal commodities	13,882
State grants	3,631
Other operating revenues	0
TOTAL OPERATING REVENUES	<u>275,468</u>
OPERATING EXPENSES:	
Salaries and wages	110,291
Contract services	1,434
Materials and supplies	149,468
Property	0
Depreciation	2,618
TOTAL OPERATING EXPENSES	<u>263,811</u>
Operating income (loss)	11,657
NON-OPERATING REVENUES (EXPENSES)	
Interest income	299
NON-OPERATING REVENUES (EXPENSES)	<u>299</u>
Net income (loss) before operating transfers	11,956
Operating transfers	<u>(15,094)</u>
Change in net assets	<u>(3,138)</u>
Net Assets June 30,2003	64,265
Prior period adjustment	9,162
Net Assets June 30, 2003, restated	<u>73,427</u>
Total net assets June 30,2004	<u><u>\$ 70,289</u></u>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 41,318
Cash received from federal & state govt.	229,587
Cash paid to suppliers	(142,259)
Cash paid to employees	<u>(111,725)</u>
Net Cash Provided (Used) by Operating Activities	<u>16,921</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers out	<u>(15,094)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	299
Purchase of fixed assets	<u>(16,491)</u>
Net Cash Provided (Used) by Investing Activities	<u>(16,192)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(14,365)
<b>Cash and cash equivalents June 30, 2003</b>	<u>27,780</u>
<b>Cash and cash equivalents June 30, 2004</b>	<u><u>\$ 13,415</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 11,657
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:	
Depreciation	2,618
Changes in Assets and Liabilities:	
Accounts Receivable	9,320
Inventories	(6,781)
Accounts payable	<u>108</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 16,922</u></u>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2004**

	<u>ACTIVITY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 12,800
Accounts Receivable	<u>0</u>
 TOTAL ASSETS	 \$ <u>12,800</u>
 LIABILITIES:	
Accounts Payable	3,075
Due to Other Funds	<u>0</u>
 TOTAL LIABILITIES	 <u>3,075</u>
 NET ASSETS	
Held in trust for other purposes	\$ <u><u>9,725</u></u>

See Auditor's Report and Accompanying Notes

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

*A. REPORTING ENTITY*

The Jackson Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Jackson Independent School District (District). The Board receives funding from the local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in the Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Jackson Independent Board of Education. The financial statements presented herein do not include funds of the groups and organizations, which although associated with the school system, have not originated within the Board itself such as the Band Boosters, Parent-Teacher Association, etc.

The financial statements of the Board include those of the administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1909 Patton Avenue, Jackson, Kentucky 41339.

Jackson Independent School District Finance Corporation

The Jackson Independent Board of Education has established the Jackson Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS section 58.180), as an agency of the Board for financing the costs of school building facilities. The board members of the Board also comprise the Corporation's Board of Directors.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*B. BASIS OF PRESENTATION*

The Board's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*C. FUND ACCOUNTING*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

The **General Fund** is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Most receipts of the Board (other than school activity funds, lunchroom sales, and bond proceeds) are deposited into the General Fund initially. Any monies received that are designated for another fund are transferred from the General Fund to the designated fund.

The **Special Revenue Fund** accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

- a) SEEK Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions.
- b) The FSPK Fund accounts for funds collected for property taxes, a percentage of which are transferred from the General Fund for debt service.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*C. FUND ACCOUNTING* (continued)

- c) The Construction Fund includes Capital Project Fund Accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- 2. The **Debt Service Fund** is a debt service fund used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.
- 3. The **Proprietary Fund** is the Lunchroom Fund which accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA").
- 4. **Fiduciary Fund Types** consist of the following:
  - a) The Activity Fund consists of agency funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Accounting Procedures For School Activity Funds.

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)*

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus as described above.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)*

when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property tax collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

*E. BUDGETARY PROCESS*

The Board is required by state law to adopt annual budgets for the general fund, special revenue fund, debt service and capital projects funds. Each budget is presented on the modified accrual basis of accounting which is a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is revenues and expenses are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The Board is required to formally and publicly examine estimated revenues and expenditures (draft budget) for the subsequent fiscal year by January 31 of each calendar year.
2. The Board is required to make an allocation to school councils by March 1 of each year which shall include the amount of certified and classified staff based on the district's staffing policy and related expenditures.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*E. BUDGETARY PROCESS* (continued)

3. The Board is required to adopt a tentative working budget for the subsequent fiscal year by May 15 of each calendar year. The budget must contain a minimum 2% reserve based on the district's total budget.
4. The Board is required to adopt a final working budget and submit it for KDE approval by September 30 of each calendar year.

The Budget is controlled by the Superintendent and Treasurer of the Board. Budgeted amounts can be amended by majority vote of the members of the Board. The approval of the budget and the amendments are reflected in the official minutes of the Board. All budget appropriations lapse at year end.

*F. ENCUMBRANCES*

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. The District did not have encumbrances as of June 30, 2004, therefore, there is no reservation of the fund balance equal to outstanding encumbrances at year-end. Accordingly, no differences exist between actual results and the reportable budgetary data presented in the accompanying combined financial statements.

*G. INVENTORY*

On government-wide financial statements inventories are stated at cost and are expensed when used. On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*H. CAPITAL ASSETS*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Buildings and improvements	25-50	years
Land improvements	20	years
Technology equipment	5	years
Vehicles	5-10	years
Audio-visual equipment	15	years
Food service equipment	10-12	years
Furniture and fixtures	7	years
Other	10	years

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*I. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

*J. DEFERRED REVENUE*

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

*K. PREPAID ASSETS*

Payments made that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

*L. LONG-TERM DEBT*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, accrued compensated absences, and a capital lease obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont.)**

*M. INTERFUND TRANSFERS*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

*N. EQUITY CLASSIFICATIONS*

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**JACKSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 2- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

Change in Accounting Principles

For the fiscal year ended June 30, 2003, the District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". For the fiscal year ended June 30, 2003 the District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Restatement of Fund Balance

	General	Special Revenue	Non-major	Total
Fund Balance June 30, 2003	\$ 236,700	\$ 0	\$ 0	\$ 236,700
GASB 34 Adjustments:				
Capital Assets - Net				3,101,533
Long-term Liabilities				<u>(2,321,369)</u>
Governmental Activities Net Assets, June 30, 2003				<u><u>\$ 1,016,864</u></u>

The District also had a fixed asset inventory taken to comply with GASB 34. This inventory revealed the existence of proprietary fixed assets that have not previously been recorded on the books. Changes as a result of the GASB 34 implementation are as follows:

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 2- CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (cont.)**

	<u>Food Service</u>
Fund Balance June 30, 2003	\$ 64,265
Additional fixed assets	<u>9,162</u>
Fund Balance June 30, 2003, restated	<u><u>\$ 73,427</u></u>

**NOTE 3 - CAPITAL LEASE AND BONDED DEBT OBLIGATIONS**

Capital Leases

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to equipment lease revenue bonds (the "bonds") issued by the Kentucky Interlocal School Transportation Association ("KISTA") aggregating \$290,616 at June 30, 2004. The bonds were issued to provide funds for the purchase of school buses, and the lease of buses by the Board from KISTA is the source of the Board's obligation. Also included in the lease obligations are capital leases for equipment totaling \$152,491 at June 30, 2004. These amounts are not reflected on the fund financial statements. Upon full payment of the bonds and related interest, title to the equipment and buses will be conveyed to the Board.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2004:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2005	\$ 80,259
2006	79,146
2007	79,310
2008	25,276
2009	24,160
Thereafter	<u>43,267</u>
Total minimum lease payments	331,418
Less: amount representing interest	<u>40,802</u>
Present Value of Net Minimum	<u><u>\$ 290,616</u></u>

**JACKSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 3 - CAPITAL LEASE AND BONDED DEBT OBLIGATIONS (cont.)**

Bonded Debt

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make payments relating to the bonds issued by the Jackson Independent School District Finance Corporation aggregating \$1,994,515 and a Qualified Zone Academy Bond (QZAB) issued by the Jackson Independent School District Finance Corporation in the original amount of \$95,747. The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Original Principal Amount	Interest Rate	Principal Outstanding at June 30, 2004	Maturity Date
Issue of 1995	\$1,039,515	4.50% - 5.75%	\$904,659	Jul. 1, 2016
Issue of 1998	35,000	4.15% - 4.95%	23,000	Jun. 1, 2013
Issue of 1998	90,000	4.15% - 5.10%	61,000	Dec. 1, 2012
Issue of 2000	760,000	5.35% - 5.65%	735,000	Jul. 1, 2025
Issue of 2001-QZAB	95,747	Not applicable	57,002	Jun. 5, 2015
Issue of 2002	195,000	4.00% - 5.00%	185,000	May 1, 2022
Issue of 2002	<u>120,000</u>	3.50%-4.90%	<u>\$ 115,000</u>	Dec. 1, 2017
	<u><u>\$2,335,262</u></u>		<u><u>\$2,080,661</u></u>	

In connection with the bond issue of 1995 and 2000, the District entered into a participation agreement with the Kentucky School Facilities Construction Commission the (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity on all bond and note issues.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 3 - DEBT OBLIGATIONS (CONTINUED)**

	Jackson Independent School District		Kentucky School Facilities Construction Commission		
<b><u>YEAR</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>INTEREST</u></b>	<b><u>TOTAL</u></b>
2005	\$ 74,214	\$ 96,073	\$ 8,928	\$ 10,018	\$ 189,233
2006	78,750	92,683	9,390	9,547	190,370
2007	83,255	89,026	9,883	9,046	191,210
2008	87,735	85,113	10,405	8,514	191,767
2009	94,183	80,865	10,961	7,948	193,957
2010	103,596	76,098	11,552	7,346	198,592
2011	102,970	71,096	12,182	6,704	192,952
2012	108,305	65,872	12,852	6,022	193,051
2013	112,597	60,295	13,564	5,294	191,750
2014	105,843	54,556	14,325	4,519	179,243
2015	110,040	48,828	15,135	3,697	177,700
2016	114,006	42,698	15,990	2,828	175,522
2017	71,914	37,828	8,086	2,155	119,982
2018	76,448	34,004	8,552	1,689	120,693
2019	80,956	30,051	9,044	1,196	121,247
2020	70,435	25,727	9,565	675	106,402
2021	72,725	21,839	7,275	204	102,043
2022	75,000	17,809	0	0	92,809
2023	60,000	13,560	0	0	73,560
2024	65,000	10,029	0	0	75,029
2025	70,000	6,215	0	0	76,215
2026	75,000	2,119	0	0	77,119
	<u>\$ 1,892,972</u>	<u>\$ 1,062,384</u>	<u>\$ 187,689</u>	<u>\$ 87,401</u>	<u>\$ 3,230,446</u>

**JACKSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 3 - DEBT OBLIGATIONS (CONTINUED)**

A summary of bond obligations is as follows:

	Balance at July 1, 2003	Issued	Retired	Balance at June 30, 2004
Board	\$ 1,966,628	\$ 0	\$ 73,656	\$ 1,892,972
KSFCC	196,181	0	8,492	187,689
	<u>\$ 2,162,809</u>	<u>\$ 0</u>	<u>\$ 82,148</u>	<u>\$ 2,080,661</u>

On May 15, 2001, the District sold \$95,747 of Qualified Zone Academy Bonds (QZAB). QZAB's are financing instruments that are used to finance renovations and repairs to schools, with the federal government providing the interest payment and the school district being responsible for the repayment of principal only. A school district must meet certain eligibility criteria to qualify for a QZAB bond issue. To be eligible, a school district must either be located in an Empowerment Zone or Enterprise Community, or, have at least 35% of the school's students eligible for free or reduce lunches under the Federal National School Lunch Program. Requirements of the QZAB program are as follows: The District must form a partnership with a private entity that will donate 10 percent of the net present value of the bond issue, which can be by cash donations, services for students, training for teachers or providing property or equipment to the school, and the QZAB funds must benefit an academic program that will have the goal of enhancing the academic curriculum, increasing graduation and employment rates, or better preparing students for college and the workforce. QZAB's can be used for renovation and modernization to an existing school structure but cannot be used for new construction. The District has entered into a partnership with the Jackson independent Educational Assistance Foundation, Inc., who will contribute 10% of the net present value of the bond issue, which will be approximately \$958 per year for the next 13 years. The District will make semi-annual deposits of \$2,591 into a sinking fund account to meet their funding requirements for the payback of principal. The semi-annual deposits are scheduled to be made each December 5 and June 5 with the first deposit made December 5, 2001 and the last deposit on June 5, 2015.

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 3 - DEBT OBLIGATIONS (CONTINUED)**

The District has entered into several operating leases. The future minimum rental payments are as follows:

<b>Year</b>	<b>Rental Payment</b>
2005	\$10,341
2006	9,631
2007	3,557
2008	3,410
2009	<u>1,705</u>
Total	<u><u>\$28,644</u></u>

Rental expense for the year ending June 30, 2004 was \$9,300.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

At year end, the carrying amount of the District's cash and cash equivalents was \$101,224 and the bank balance was \$438,499. Of the total cash balance, \$100,000 was covered by Federal depository insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the Board's name with a face value of \$730,000. The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

The cash deposits held at financial institutions can be categorized according to three levels of risk. The three levels of risk are as follows:

Category 1 - Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Category 3 - Uncollateralized.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

**JACKSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 4 - CASH AND CASH EQUIVALENTS (CONTINUED)**

Due to the nature of the accounts and certain limitations imposed on the use of Funds, cash within the following funds is considered to be restricted:

SEEK Capital Outlay Fund  
Facility Support Program (FSPK) Fund  
Special Revenue (Grant Funds)  
School Lunchroom Fund (Proprietary Fund Type)  
School Activity Fund (Fiduciary Fund Type)

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 7/01/03	Additions	Deletions	Balance at 6/30/04
Governmental				
Land	\$ 551,450	\$ 0	\$ 0	\$ 551,450
Land Improvements	27,904	32,142	0	60,046
Buildings Improvements	3,118,753	8,443	0	3,127,196
Technological	348,896	7,549	0	356,445
Vehicles	229,982	0	0	229,982
General Equipment	148,211	13,184	0	161,395
Total Historical Cost	4,425,196	61,318	0	4,486,514
Accumulated	(1,323,663)	\$ (173,618)	\$ 0	(1,497,281)
Capital Assets - Net	<u>\$ 3,101,533</u>	<u>\$ (112,300)</u>	<u>\$ 0</u>	<u>\$ 2,989,233</u>
Business Activities:				
Technological	\$ 2,652	\$ 0	\$ 0	\$ 2,652
General Equipment	52,483	16,491	0	68,974
Total Historical Cost	55,135	16,491	0	71,626
Accumulated	(46,074)	(2,618)	0	(48,722)
Capital Assets - Net	<u>\$ 9,061</u>	<u>\$ (13,873)</u>	<u>\$ 0</u>	<u>\$ 22,904</u>

**JACKSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 5 - CAPITAL ASSETS (cont'd)**

Depreciation Expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE 6 - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, a certified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2004, this amount totaled \$9,514 for those certified employees with 27 or more years of experience.

**NOTE 7 - RETIREMENT PLANS**

Kentucky Teachers Retirement System

Certified employees are covered under the Kentucky Teachers Retirement System (KTRS). KTRS, a cost-sharing, multiple-employer, public employee retirement system, provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age sixty, unless the employee has 27 or more years of participation in the plan. The plan also provides for disability retirement, death and survivor benefits and medical insurance.

The Kentucky Teachers Retirement System is provided by eligible employees who contribute 9.855% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 12.305%. The contribution requirements of KTRS members and the District are established and may be amended by the Kentucky Revised Statute and the KTRS Board of Trustees. Contributions to KTRS made on behalf of the District of the Commonwealth of Kentucky for the Year ended June 30, 2003 were \$7,052, equal to the required contributions for the year.

County Employees Retirement System

Substantially all other employees of the District participate in the County Employees Retirement System (CERS). CERS is a cost-sharing, multiple-employer, defined benefit pensions plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement,

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 7 - RETIREMENT PLANS (cont'd)**

disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

Funding for CERS is provided by members who contribute 5% of their salary through payroll deductions and by employers of members who contribute 6.34% of the member's salary. The contributions requirements of CERS are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for year ending June 30, 2003 were \$31,738, equal to the required contributions for the year.

**NOTE 8 - PROPERTY TAXES**

Property taxes are levied each September on the assessed value listed as of the prior January 1st, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending 30 days after the tax bill mailing.

The tax rates assessed for the year ended June 30, 2004 to finance general fund operations and special voted building fund were \$0.356 per \$100 valuation for real and commercial property. The tax rate assessed on motor vehicles was .492 per \$100. The District levies a 3% utility tax on all businesses and households within the district.

**NOTE 9 - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risk of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk

**JACKSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

pools operate as common risk management and insurance programs for all Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the

Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance funds pays insurance premiums o the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, and amount remaining in the Fund (after payment of operational and administrative costs and claims for which was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 11 - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

**NOTE 12 - TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special	Matching	\$ 5,194
Operating	Food Service	General	Indirect Cost Allocation	\$ 15,094

**JACKSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 13 - ON-BEHALF PAYMENTS**

The Board recognized \$502,056 in revenue for on-behalf payments made by the State for fringe benefits and pension plan contributions made to KTRS as described in NOTE 7. Corresponding expenses of the same amount were also recognized.

**NOTE 13 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jackson Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB - A133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Food Distribution - Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For fiscal year 2004, the District received food commodities totaling \$13,882.

**NOTE 14 - CONTINGENCIES**

The District is involved in a lawsuit with the Kentucky Board of Education in regards to non-resident student contract dispute with the Breathitt County School District and an effort to secure State school funds for each student enrolled in the Jackson Independent Schools irrespective of residence. If the District does not prevail in the litigation, it will not receive funding in the SEEK budget for these students, such action will cause a financial hardship on the District. The District will be required to make some drastic decisions in order to remain in operation.

## SUPPLEMENTARY INFORMATION

**JACKSON INDEPENDENT BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	SEEK CAPITAL OUTLAY	FSPK BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 0	\$ 23,273	\$ 0	\$ 0	\$ 23,273
Investments	0	0	0	0	0
Accounts Receivable					
Taxes - current	0	0	0	0	0
Taxes - delinquent	0	0	0	0	0
Accounts	0	0	0	0	0
Intergovernmental - State	0	0	0	0	0
Intergovernmental - Federal	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0
<b>TOTAL ASSETS</b>	<u>\$ 0</u>	<u>\$ 23,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,273</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Payroll					
and related expenses	0	0	0	0	0
Deferred revenues	0	0	0	0	0
Obligation under capital leases	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES:</b>					
Reserved	0	23,273	0	0	23,273
Unreserved	0	0	0	0	0
<b>TOTAL FUND BALANCES</b>	<u>0</u>	<u>23,273</u>	<u>0</u>	<u>0</u>	<u>23,273</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 0</u>	<u>\$ 23,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,273</u>

**JACKSON INDEPENDENT BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	SEEK CAPITAL OUTLAY	FSPK BUILDING FUND	CONSTRUCTION FUNDS	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 0	\$ 19,803	\$ 0	\$ 0	\$ 19,803
Motor Vehicle	0	0	0	0	0
Utilities	0	0	0	0	0
Distilled Spirits Tax	0	0	0	0	0
Other	0	0	0	0	0
Tuition and fees	0	0	0	0	0
Earnings on investments	0	0	0	0	0
Student Activities	0	0	0	0	0
Rental	0	0	0	0	0
Other local revenues	0	0	0	0	0
Intergovernmental - State	54,490	135,855	0	18,953	209,298
Intergovernmental - Indirect federal	0	0	0	0	0
TOTAL REVENUES	<u>54,490</u>	<u>155,658</u>	<u>0</u>	<u>18,953</u>	<u>229,101</u>
EXPENDITURES:					
Current:					
Instruction:	0	0	0	0	0
Support Services:					
Student	0	0	0	0	0
Instructional staff	0	0	0	0	0
District administration	0	0	0	0	0
School administration	0	0	0	0	0
Business	0	0	0	0	0
Plant operations and maintenance	0	0	0	0	0
Student transportation	0	0	0	0	0
Central office	0	0	0	0	0
Non-instructional	0	0	0	0	0
Facilities acquisition and construction	0	0	0	0	0
Debt Service	54,490	132,385	0	3,859	190,734
Other	0	0	0	0	0
TOTAL EXPENDITURES	<u>54,490</u>	<u>132,385</u>	<u>0</u>	<u>3,859</u>	<u>190,734</u>
Excess (Deficit) of Revenues over Expenditures	<u>0</u>	<u>23,273</u>	<u>0</u>	<u>15,094</u>	<u>38,367</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of Assets/Bonds	0	0	0	0	0
Operating transfers in	0	0	0	254,242	254,242
Operating transfers out	0	0	0	(269,336)	(269,336)
TOTAL OTHER FINANCING SOURCES (USES):	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,094)</u>	<u>(15,094)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	23,273	0	0	23,273
Fund balance June 30, 2003	0	0	0	0	0
Fund balance June 30, 2004	<u>\$ 0</u>	<u>\$ 23,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,273</u>

**JACKSON INDEPENDENT BOARD OF EDUCATION  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	SERIES OF JULY 1995	SERIES OF AUGUST 1998	SERIES OF JUNE 1998	SERIES OF DECEMBER 1998	SERIES OF JULY 2000	QZAB 2001	SERIES OF DECEMBER 2001	SERIES OF JUNE 2002	SERIES OF OCTOBER 2002	CAPITAL LEASE 2002	CAPITAL LEASE 2002	SERIES OF APRIL 2003	TOTALS
CASH AND CASH EQUIVALENTS- JULY 1, 2003	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
RECEIPTS:													
Transfers and Miscellaneous Deposits	100,156	3,184	7,278	8,055	51,290	5,182	7,638	13,925	10,128	4,905	53,383	8,071	273,195
DISBURSEMENTS:													
Bonds Paid	49,966	2,000	5,289	5,000	10,000	5,182	5,635	5,000	5,000	3,144	43,452	6,608	146,276
Interest Coupons	50,190	1,184	1,989	3,055	41,290	0	2,003	8,925	5,128	1,761	9,931	1,463	126,919
TOTAL DISBURSEMENTS	100,156	3,184	7,278	8,055	51,290	5,182	7,638	13,925	10,128	4,905	53,383	8,071	273,195
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0
CASH AND CASH EQUIVALENTS- June 30, 2003	0	0	0	0	0	0	0	0	0	0	0	0	0
FUND BALANCE - June 30, 2004	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

**JACKSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

ACCOUNTS:	Cash Balances July 1, 2003	Receipts	Disbursements	Cash Balances June 30, 2004	Fund Balance July 1, 2003	Accounts Receivable June 30, 2004	Accounts Payable June 30, 2004	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2004
High School Baseball	\$ 70	\$ 745	\$ 639	\$ 176	\$ 214	\$ 0	\$ 0	\$ (144)	\$ 176
Fourth Grade	4	2,577	2,297	284	4	0	0	0	284
General	21	56,683	56,351	353	(658)	0	1,526	679	(1,173)
Principal	4	1,300	1,300	4	4	0	0	0	4
Science Club	0	284	50	234	0	0	0	0	234
Athletic	0	13,362	13,027	335	0	0	0	0	335
Teachers	0	2,582	2,582	0	(70)	0	0	70	0
Math	0	0	0	0	66	0	0	(66)	0
High School Y Club	36	3,219	2,706	549	36	0	0	0	549
Sixth Grade	2,653	986	2,792	847	2,264	0	0	389	847
Children Inc	490	3,624	3,967	147	490	0	0	0	147
Elementary Academics	139	0	0	139	139	0	0	0	139
MS Boys Basketball	155	1,551	1,253	453	155	0	0	0	453
Academics	68	0	0	68	68	0	0	0	68
STLP	0	496	148	348	0	0	0	0	348
High School Softball	9	845	682	172	9	0	0	0	172
Drama Class	291	0	230	61	291	0	7	0	54
Annual	2,911	24,333	24,914	2,330	2,861	0	1,542	50	788
Band	43	0	0	43	43	0	0	0	43
Library	757	5,766	5,810	713	757	0	0	0	713
Freshman Class	48	944	992	0	48	0	0	0	0
Sophomore Class	1,519	3,318	3,893	944	1,705	0	0	(186)	944
Junior Class	0	8,190	6,923	1,267	0	0	0	0	1,267
Senior Class	9	1,618	1,609	18	9	0	0	0	18
Eighth Grade	640	1,845	1,789	696	640	0	0	0	696
Grade School Cheerleaders	255	7,280	7,535	0	255	0	0	0	0
Middle School Cheerleaders	44	0	44	0	44	0	0	0	0
High School Cheerleaders	1,217	1,953	2,780	390	1,229	0	0	(12)	390
GS Boys Basketball	298	4,571	4,759	110	298	0	0	0	110
HS Girls Basketball	0	257	180	77	0	0	0	0	77
Track	161	997	1,158	0	161	0	0	0	0
Project Prom	273	3,227	3,161	339	273	0	0	0	339
FRYSC	251	0	222	29	251	0	0	0	29
Special Ed	37	0	0	37	37	0	0	0	37
Primary	1,077	0	128	949	1,077	0	0	0	949
Girls Science Club	0	500	0	500	0	0	0	0	500
JISD Flower	0	1,000	986	14	0	0	0	0	14
GS Girls Basketball	0	599	481	118	0	0	0	0	118
Chess Club	0	56	0	56	0	0	0	0	56
TOTALS	\$ 13,480	\$ 154,708	\$ 155,388	\$ 12,800	\$ 12,700	\$ 0	\$ 3,075	\$ 780	\$ 9,725

**JACKSON INDEPENDENT BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
National School Lunch	10.555	0575-04-02	\$ 124,781
	10.555	0575-08-02	3,631
	10.559	0574-02-23	53,655
School Breakfast	10.553	0576-04-05	38,201
Passed Through State Dept. of Agriculture:			
Food Distribution (In-Kind Commodities)	10.550		13,882
TOTAL U.S. DEPT. OF AGRICULTURE			<u>234,150</u>
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Title I	84.010	0351-04-02	98,717
IDEA B	84.027	0581-04-02	58,370
Preschool - Early Childhood	84.173	0587-04-02	6,194
Title IV - Safe & Drug Free Schools	84.186	0590-04-02	4,683
Community Education	84.287	0744-04-03	90,368
Title VI	84.298	0533-04-02	3,790
Technology Literacy Challenge	84.318	0736-04-02	1,731
Title VI Small Rural School Achievement	84.358		24,852
Title II	84.367	0710-04-03	<u>23,913</u>
TOTAL U.S. DEPT. OF EDUCATION			<u>312,618</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u><u>546,768</u></u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Kentucky State Committee For School District Audits  
Members of the Board of Education  
Jackson Independent School District  
Jackson, Kentucky

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jackson Independent School District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Procedures for Auditing Local Districts Fiscal Records*.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management in a separate letter dated October 28, 2004.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 28, 2004.

This report is intended solely for the information and use of the District, management, others within the organization, and federal awarding agencies and the Kentucky Department of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Kentucky State Committee For School District Audits  
Members of the Board of Education  
Jackson Independent School District  
Jackson, Kentucky

Compliance

We have audited the compliance of the Jackson Independent School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that is required to be reported according to OMB Circular A-133 and which is described as item **04-01** in the accompanying schedule of findings and questioned costs.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended for the information of the District, management and federal awarding agencies and the Kentucky Department of Education and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2004

**JACKSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2004**

**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued (unqualified)

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes      X  no
- Reportable condition(s) identified  
that are not considered to be material  
weakness? \_\_\_\_\_yes      X  no

Noncompliance material to financial  
statements noted?

\_\_\_\_\_yes      X  no

**Federal Awards**

Internal control over majority programs:

- Material weakness(es) identified? \_\_\_\_\_yes      X  no
- Reportable condition(s) identified  
that are not considered to be material  
weakness(es)? \_\_\_\_\_yes      X  no

Type of auditor's report issued on compliance for the major programs (unqualified):

Any audit findings disclosed that are  
required to be report in accordance  
with section 510(a) of Circular A-133?

  X  yes    \_\_\_\_\_no

Identification of major programs:

CFDA Number(s)

Name of Federal Program of Cluster

84.010  
10.555

Title I  
National School Lunch Program

Dollar threshold used to distinguish  
Between type A and type B programs:  
Auditee qualified as low-risk auditee?

\$   300,000    
\_\_\_\_\_yes      X  no

**JACKSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

DEPARTMENT OF EDUCATION

**04-1** Title 1 Grants to Local Educational Agencies - CFDA 84.010; Grant No. 35104-02-Z; Grant Period - year ended June 30, 2004

*Reportable Condition:* The District did not file any of the quarterly financial reports by the 25<sup>th</sup> day of the month following the end of the quarter as required by Title 1 regulations.

*Criteria:* The Title 1 program regulations require that quarterly reports be filed no later than the 25<sup>th</sup> day following the last day of the quarter.

*Cause:* District needed additional time to complete these reports and thus were late in their filing.

*Effect:* The District is not in compliance with Title 1 regulations.

*Recommendation:* We recommend the District file the quarterly reports in accordance with Title 1 guidelines.

*Response:* Effective immediately the District shall follow Title I program reporting guidelines to file quarterly reports no later than the 25th day following the last day of the quarter.

**JACKSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2004**

DEPARTMENT OF EDUCATION

**03-1** Title 1 Grants to Local Educational Agencies - CFDA 84.010; Grant No. 35102-02-Z;  
Grant Period - year ended June 30, 2003

*Reportable Condition:* The District is not maintaining a inventory ledger for fixed assets purchased with Title 1 funds as required in Title 1 regulations

*Status:* The District has corrected this finding during the year.

Jackson Independent School District  
Jackson, Kentucky

In planning and performing our audit of the financial statements of Jackson Independent School District for the year ended June 30, 2004, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 28, 2004 on the financial statements of the Jackson Independent School District. The District did attempt to correct the management points referenced in the prior year. Several of the management comments at the school activity funds are repeat findings of the prior year.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2004

**JACKSON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT POINTS  
JUNE 30, 2004**

**BOARD**

1. Cash Disbursements

Comment: When testing cash disbursements, we noted several invoices were paid with no purchase orders on file, one purchase order was prepared after invoice was received and one invoice could not be found.

Recommendation: The Board needs to strengthen and review the existing controls over the supporting documents for cash disbursements.

Response: Effective immediately the District shall issue a staff memo directing proper purchasing and reimbursement procedures as required by Board policy.

2. Food Service

Comment: The financial information as reported on the Report and Claim for Reimbursement, form SCN-D2 for June 2004 did not agree with the Board's financial records. (Accounts payable per balance sheet = \$12,117; unpaid bills per D2 = \$3,603)

Response: Effective immediately the Food Service Director has been advised to report all unpaid bills for June on form SCN-D2 to agree with the accounts payable per Munis balance sheet.

3. Payroll

Comment: During our testing of payroll, it was noted that Form W-4 could not be located for two employees.

Recommendation: We suggest that management implement procedures, possibly a checklist, to ensure employee files are complete.

Response: District management has implemented a checklist as all new employee files are up-to-date and complete, and are currently reviewing the employee files to ensure that all required documentation is included.

**JACKSON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT POINTS  
JUNE 30, 2004**

**ACTIVITY FUNDS**

Finding: While testing cash disbursements, four purchase orders were found that were prepared after the invoice date.

Recommendation: The Bookkeeper and Principal should review the “Purchasing” procedures section, item no. 1, of the UPASAF, which states that a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated.

Finding: During our test of cash disbursements, it was noticed that the principal is not signing the approval line on the standard invoices (Form F-SA-8).

Recommendation: The Bookkeeper and Principal should review the Standard Invoice (Form F-SA-8) to see what needs to be fully completed on the form.

Finding: While reviewing the Transfer Forms (Form F-SA-10), we discovered seven were not signed by neither a bookkeeper nor activity sponsor, and one was not signed by the principal.

Recommendation: The Bookkeeper and Principal should review the “Transfers” policy section, item no. 1, of the UPASAF, which states that amounts may be transferred between activity funds only by proper completion of a Transfer Form (Form F-SA-10) and that the sponsor of the remitting (paying) activity, the school treasurer, and the principal shall sign the Transfer Form.

Finding: During our review of ticket sales, we discovered the following problems: one form did not have the reconciliation filled out nor signed by either the person in charge nor the treasurer, and tickets colors are not being changed between events.

Recommendation: The Bookkeeper, Principal, and Athletic Director should review the policies and procedures contained in the “Ticket Sales” section of the UPASAF, as well as the instructions on the Requisition and Report of Ticket Sales (Form F-SA-1). These requirements should also be conveyed to the person in charge of sales and ticket sellers for each event.

Finding: The Activity Fund Budget (Form F-SA-4A) and Internal Account Budget (Form F-SA-3) for the 2004-2005 school year was not completed.

**JACKSON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT POINTS  
JUNE 30, 2004**

**ACTIVITY FUNDS (CONTINUED)**

**Recommendation:** The Bookkeeper and Principal should review the “Activity Fund Budgets” policy section, items no. 1, 2 and 3, of the UPASAF, which states that each club and organization shall prepare a tentative budget of receipts and expenditures for the next school year on the Activity Fund Budget (Form F-SA-4A). The budgets are due to the principal by April 15. The principal shall submit the Internal Account Budget (Form F-SA-3) and attached individual activity fund budgets to the superintendent by May 15. The clubs and organizations shall adopt final budgets within thirty days after the school year begins.

**Finding:** The Booster Club did not submit an annual budget (Form F-SA-4B) to the principal, and the annual financial report did not list expenditures by payee.

**Recommendation:** The Principal and Booster Clubs should review the “Support/Booster Organizations Using External Accounts” responsibilities section, items no. 3 and 5, of the UPASAF, which state that the booster organization shall submit an annual booster club budget (Form F-SA-4B) to the principal within the first thirty days of the school year showing estimated revenues and expenditures by category. In addition, they shall submit an annual financial report to the principal by July 25 for the year ended June 30 reporting receipts from admissions, fundraisers, dues, concession sales, and other categories, expenditures by payee, and beginning and ending balances.

**Finding:** Upon inquiry, it was found that the Expense Report (Form F-SA-9) was not being filled out for Cash Advances.

**Recommendation:** The Bookkeeper should review the “Cash Advances, Travel Reimbursement, and Pay for Services” section, item no. 1, of the UPASAF, which states that cash advances and expense reimbursements shall be supported by the Expense Report (Form F-SA-9).

**JACKSON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT POINTS  
JUNE 30, 2004**

**ACTIVITY FUNDS (CONTINUED)**

Finding:        The General Activity Fund had a deficit balance at June 30, 2004.

Recommendation:    Individual Activity Fund balances should be reviewed at year end and funds should be transferred as appropriate to cover deficit balances.

**Jackson Independent School District  
Dr. O. Taylor Collins, Superintendent  
940 Highland Avenue  
Jackson, Kentucky 41339**

**CORRECTIVE ACTION PLAN**

**BOARD**

Cash Disbursements

Comment: When testing cash disbursements, we noted several invoices were paid with no purchase orders on file, one purchase order was prepared after invoice was received and one invoice could not be found.

**Response:** Effective immediately the District shall issue a staff memo directing proper purchasing and reimbursement procedures as required by Board policy.

Food Service

Comment: The financial information as reported on the Report and Claim for Reimbursement, form SCN-D2 for June 2004 did not agree with the Board's financial records. (Accounts Payable per balance sheet = \$12,117; unpaid bills per D2 = \$3,603)

**Response:** Effective immediately the Food Service Director has been advised to report all unpaid bills for June on form SCN-D2 to agree with the accounts payable per Munis balance sheet.

Payroll

Comment: During our testing of payroll, it was noted that Form W-4 could not be located for two employees.

**Response:** District management has implemented a checklist as all new employee files are up-to-date and complete, and are currently reviewing the employee files to ensure that all required documentation is included.

**ACTIVITY FUNDS**

Finding: While testing cash disbursements, four purchase orders were found that were prepared after the invoice date.

**Response:** The Bookkeeper and Principal have reviewed the "Purchasing" procedures of the UPASAF and a Purchase Order shall be prepared and approved by sponsor and the Principal before the payment are issued.

**Jackson Independent School District  
Dr. O. Taylor Collins, Superintendent  
940 Highland Avenue  
Jackson, Kentucky 41339**

**CORRECTIVE ACTION PLAN**

**ACTIVITY FUNDS (CONTINUED)**

Finding: During our test of cash disbursements, it was noticed that the principal is not signing the approval line on the standard invoices (Form F-SA-8).

**Response:** Effective immediately the Principal and Bookkeeper have reviewed and are implementing the proper procedure of executing and approving a Standard Invoice.

Finding: While reviewing the Transfer Forms (Form F-SA-10), we discovered seven were not signed by neither a bookkeeper nor activity sponsor, and one was not signed by the principal.

**Response:** Effective immediately the Bookkeeper and Principal have reviewed and are implementing the "Transfer" policy section of the UPASAF, to ensure that proper authorization of the Sponsor, Bookkeeper, and the Principal have been obtained.

Finding: During our review of ticket sales, we discovered the following problems: one form did not have the reconciliation filled out nor signed by either the person in charge nor the treasurer, and tickets colors are not being changed between events.

**Response:** Effective immediately the Bookkeeper, Principal, and Athletic Director have reviewed and are implementing the policies and procedures contained in the "Ticket Sales" section of the UPASAF and Form F-SA-1 to assure that proper procedure is followed and is conveyed to the person in charge of ticket sales for each event. A color variety of tickets shall be utilized between school events.

Finding: The Activity Fund Budget (Form F-SA-4A) and Internal Account Budget (Form F-SA-3) for the 2004-2005 school year was not completed.

**Response:** Effective immediately the Bookkeeper and the Principal shall review and implement the "Activity Fund Budgets" policy of the UPASAF, and instruct the clubs and organizations to prepare a tentative budget of receipts and expenditures for the next school year on the budget form F-SA-4A, to submit to the Principal by April 15. The Principal shall submit the budgets to the Superintendent by May 15. The clubs and organizations shall adopt final budgets within thirty days after the school year begins.

**Jackson Independent School District  
Dr. O. Taylor Collins, Superintendent  
940 Highland Avenue  
Jackson, Kentucky 41339**

**CORRECTIVE ACTION PLAN**

**ACTIVITY FUNDS (CONTINUED)**

Finding: The Booster Club did not submit an annual budget (Form F-SA-4B) to the principal, and the annual financial report did not list expenditures by payee.

**Response:** Effective immediately the Principal and booster clubs shall review the “Support/Booster Organizations Using External Accounts” of the UPASAF, and shall submit annual booster club budget to the Principal within the first thirty days of the school year showing estimated revenues and expenditures by category. In addition, they shall submit an annual financial report to the Principal by July 25<sup>th</sup> for the year ended June 30<sup>th</sup> reporting receipts and expenditures by payee and beginning and ending balances.

Finding: Upon inquiry, it was found that the Expense Report (Form F-SA-9) was not being filled out for Cash Advances.

**Response:** Effective immediately shall review the “Cash Advances, Travel Reimbursement, and Pay for Services” section of the UPASAF, and shall ensure that proper procedure for cash advances and expense reimbursements shall be supported by the Expense Report.

Finding: The General Activity Fund had a deficit balance at June 30, 2004.

**Response:** Effective immediately the Bookkeeper and Principal shall review individual activity fund balances monthly and annually at year end to ensure that appropriate transfers are completed and accounts receivable are recorded to avoid deficit balances.